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**McALLISTER  
TOWING LTD.**



*and its  
subsidiary companies  
including...*



**ISLAND TUG &  
BARGE LIMITED**



# ***Annual Report***

**FOR THE YEAR ENDED DECEMBER 31, 1965**





Photo courtesy of Highland Marine Studios.

*The Russian freighter M.V. "Birgusa" being assisted from her berth in Montreal Harbour on January 8, 1966 by the Company's tug "Salvage Monarch". The opening of Montreal Harbour for winter navigation has been made possible in part by the new breed of vessels like the M.V. "Birgusa" and "Salvage Monarch" which are fitted with ice-breaking bows, heavier shell plating and increased horsepower.*



# McALLISTER TOWING LTD.

## DIRECTORS

W. Leslie Forster, C.B.E.  
August Franck  
Emile Heyrman  
Kenneth S. Howard, Q.C.  
Anthony J. McAllister

Charles D. McAllister  
Gerard M. McAllister  
James P. McAllister  
James P. McAllister III  
Jean-Maurice Vaes

## OFFICERS

W. Leslie Forster, C.B.E., *Chairman of the Board*  
James P. McAllister, *President and Chief Executive Officer*  
James P. McAllister III, *Executive Vice-President*  
Gerard M. McAllister, *Vice-President and Secretary*  
Anthony J. McAllister, *Vice-President*  
Angus A. MacNaughton, C.A., *Vice-President - Finance*  
Donal G. McAllister, *General Manager*  
Louis J. Riso, *Treasurer*  
Roger A. King, C.A., *Assistant Treasurer and Assistant Secretary*

## GENERAL COUNSEL

Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, *Montreal*

## AUDITORS

McDonald, Currie & Co., *Montreal*

## TRANSFER AGENT & REGISTRAR

Montreal Trust Company, *Halifax, Montreal, Toronto, Winnipeg & Vancouver*

## HEAD OFFICE

20 Grey Nuns Street, *Montreal, Quebec*

# ISLAND TUG & BARGE LIMITED

## DIRECTORS

Harold B. Elworthy  
W. Leslie Forster, C.B.E.  
Emile Heyrman  
Kenneth S. Howard, Q.C.  
Anthony J. McAllister

Charles D. McAllister  
Gerard M. McAllister  
James P. McAllister  
Jean-Maurice Vaes

## OFFICERS

Harold B. Elworthy, *Chairman of the Board*  
James P. McAllister, *Vice-Chairman*  
Arthur B. Elworthy, *President*  
Donald B. Elworthy, *Vice-President*  
Edward Judd, C.A., *Vice-President, Secretary and Treasurer*  
Gordon B. Elworthy, *Vice-President and Assistant Secretary*  
Frederick W. Skinner, *Vice-President*  
Jacques S. Heyrman, *Assistant to the President*  
Joseph A. Spencer, C.A., *Assistant Treasurer*

## GENERAL COUNSEL

Crease & Company, *Victoria*

## AUDITORS

McDonald, Currie & Co., *Vancouver*

## TRANSFER AGENT & REGISTRAR

The Royal Trust Company, *Victoria*

## HEAD OFFICE

345 Harbour Road, *Victoria, British Columbia*

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in submitting your Company's Eighth Annual Report which shows a year of substantial progress.

### FINANCIAL

Net earnings for 1965 amounted to \$1,138,699 compared with \$793,048 in 1964. Earnings per common share after all charges, including the payment of the dividend on the preference shares of Island Tug & Barge Limited, were \$1.14, an increase of 44% over the 1964 earnings of \$0.79 per share. An initial dividend of \$0.30 per common share was declared in December 1965 and paid January 10, 1966.

A new issue of \$4,000,000 — 6½% First Mortgage Bonds, Series "D", due December 31, 1980, was sold during 1965. Of the proceeds of issue, \$164,800 was applied to retire all of the outstanding serial debentures of a subsidiary, and the balance was added to the general funds of the Company, to be used in the acquisition of additional equipment.

To meet the requirements of its growing business the Company made capital expenditures in 1965 of \$2,936,000, compared with \$2,173,000 in 1964.

### EASTERN OPERATIONS

#### (St. Lawrence River & Great Lakes)

Earnings from ship docking in the Port of Montreal showed a moderate improvement over 1964, while earnings from salvage operations during 1965 showed a marked increase and began to justify the Company's substantial investment in salvage vessels and equipment. In addition to refloating a number of grounded vessels in the St. Lawrence Seaway and on Lake Ontario, three dangerous ship fires were successfully fought by the Company's fire tugs and salvage crews in Montreal Harbour.



During January and February of 1965 deep-sea ships, for the first time in history, navigated their way up the ice-covered St. Lawrence River, establishing Montreal as a year-round port. In order to take part in this new development, two of the Company's ice-strengthened tugs were operated throughout the winter, thus providing, for the first time, year-round tug service for Montreal Harbour.

At the year end an additional tug was added to the fleet in anticipation of increased tug requirements during 1966.

## WESTERN OPERATIONS

(West Coast of North America and Pacific Ocean)

The Company's operations on the West Coast continued their pattern of growth. In addition to increased revenues and improved earnings in regular coast-wise operations, there were several spectacular high-seas salvage operations during the year. Operating costs, particularly wages, continue to rise, but these increases are being offset to some extent by the greater efficiency resulting from the use of new and improved equipment.

The world's largest self-loading/unloading log barge "ISLAND YARDER" was completed and put into service during 1965, together with the newly re-engined 2400-horsepower tug "ISLAND SOVEREIGN". With these units, your Company is now serving its customers with two of the most efficient vessels in the world for log transportation. In addition, five large chip scows were built, other barges were converted for special cargoes, and work started on a new 1530-horsepower tug. The Company also continued the expansion of its shore facilities: a property on the north shore of Burrard Inlet was purchased and will be gradually developed as a tie-up berth and terminal; and expenditures on the shipyard and repair base in Victoria included the construction of a staff building and the purchase of special tools and equipment.

Continuing expansion of the fleet is planned for 1966, with attention being particularly directed to new tugs designed for the specific requirements of West Coast operations.

## MANAGEMENT AND STAFF

The appreciation of the Board is extended to the management and all employees for their contribution to the progress of the Company during the year.

Signed on behalf of the Board,

JAMES P. McALLISTER.

Montreal, Que.  
9th March 1966.

# McALLISTER TOWING LTD.

*and its subsidiary*

### CONSOLIDATED BALANCE SHEET *as at 31st December 1965*

## assets

|                                                                     | 1965       | 1964       |
|---------------------------------------------------------------------|------------|------------|
| <b>CURRENT ASSETS</b>                                               | \$         | \$         |
| Cash . . . . .                                                      | 541,772    | 351,173    |
| Short-term deposits . . . . .                                       | 1,377,349  | 727,349    |
| Accounts and claims receivable (note 2) . . . . .                   | 2,205,396  | 1,514,826  |
| Funds in escrow . . . . .                                           | 935,233    | 164,704    |
| Prepaid expenses and supplies . . . . .                             | 442,941    | 399,615    |
|                                                                     | 5,502,691  | 3,157,667  |
| <b>OTHER ASSETS</b>                                                 |            |            |
| Investments — at cost . . . . .                                     | 28,584     | 29,214     |
| Cash surrender value of life insurance . . . . .                    | 50,439     | 46,837     |
|                                                                     | 79,023     | 76,051     |
| <b>FIXED ASSETS</b>                                                 |            |            |
| Vessels, property and equipment — at cost (notes 3 and 4) . . . . . | 19,174,973 | 16,388,185 |
| Accumulated depreciation . . . . .                                  | 7,149,647  | 6,267,304  |
|                                                                     | 12,025,326 | 10,120,881 |
| <i>Signed on behalf of the Board</i>                                |            |            |
| W. L. Forster, Director                                             |            |            |
| James P. McAllister, Director                                       |            |            |
|                                                                     | 17,607,040 | 13,354,599 |



Companies including **ISLAND TUG & BARGE LIMITED**

**liabilities**

|                                                                            | 1965       | 1964       |
|----------------------------------------------------------------------------|------------|------------|
| <b>CURRENT LIABILITIES</b>                                                 | \$         | \$         |
| Accounts payable and accrued liabilities . . . . .                         | 1,324,774  | 980,290    |
| Dividends declared . . . . .                                               | 300,000    | —          |
| Income taxes . . . . .                                                     | 80,603     | 52,227     |
| Funded debt — maturing within one year . . . . .                           | 982,617    | 1,094,317  |
|                                                                            | 2,687,994  | 2,126,834  |
| <b>FUNDED DEBT — not maturing within one year (see schedule) . . . . .</b> | 7,720,351  | 4,867,769  |
| <b>MINORITY INTEREST</b>                                                   |            |            |
| Island Tug & Barge Limited — preference shares . . . . .                   | 500,000    | 500,000    |
|                                                                            | 10,908,345 | 7,494,603  |
| <b>shareholders' equity</b>                                                |            |            |
| <b>CAPITAL STOCK (note 5)</b>                                              |            |            |
| Authorized — 1,500,000 shares without nominal or par value                 |            |            |
| Issued and fully paid — 1,000,000 shares . . . . .                         | 2,500,000  | 2,500,000  |
| <b>RETAINED EARNINGS . . . . .</b>                                         | 4,198,695  | 3,359,996  |
|                                                                            | 6,698,695  | 5,859,996  |
|                                                                            |            |            |
|                                                                            | 17,607,040 | 13,354,599 |

# McALLISTER TOWING LTD.

*and its subsidiary*

|                                                                |                                                                                         | 1965       | 1964      |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------|-----------|
|                                                                |                                                                                         | \$         | \$        |
| <b>CONSOLIDATED<br/>STATEMENT OF<br/>RETAINED<br/>EARNINGS</b> | <b>BALANCE — BEGINNING OF YEAR . . . . .</b>                                            | 3,359,996  | 2,770,692 |
|                                                                | Net earnings for the year. . . . .                                                      | 1,138,699  | 793,048   |
|                                                                |                                                                                         | 4,498,695  | 3,563,740 |
|                                                                | Commission on issue of common shares. . . . .                                           | —          | 125,000   |
|                                                                | Cost of acquisition of the minority interest in McAllister-Pyke<br>Salvage Ltd. . . . . | —          | 78,744    |
|                                                                | Dividend declared . . . . .                                                             | 300,000    | —         |
|                                                                |                                                                                         | 300,000    | 203,744   |
|                                                                | <b>BALANCE — END OF YEAR . . . . .</b>                                                  | 4,198,695  | 3,359,996 |
|                                                                |                                                                                         |            |           |
| <b>CONSOLIDATED<br/>STATEMENT OF<br/>EARNINGS</b>              | <b>INCOME FROM OPERATIONS . . . . .</b>                                                 | 10,093,693 | 8,213,995 |
|                                                                | <b>OPERATING, GENERAL AND<br/>ADMINISTRATIVE EXPENSES . . . . .</b>                     | 8,603,184  | 7,068,665 |
|                                                                |                                                                                         | 1,490,509  | 1,145,330 |
|                                                                | <b>INTEREST ON FUNDED DEBT . . . . .</b>                                                | 245,424    | 318,997   |
|                                                                |                                                                                         | 1,245,085  | 826,333   |
|                                                                | <b>OTHER INCOME</b>                                                                     |            |           |
|                                                                | Interest on short-term deposits . . . . .                                               | 35,981     | 13,624    |
|                                                                | Profit on disposal of fixed assets . . . . .                                            | 8,478      | 11,479    |
|                                                                |                                                                                         | 44,459     | 25,103    |
|                                                                |                                                                                         | 1,289,544  | 851,436   |
|                                                                | <b>PROVISION FOR INCOME TAXES (note 6). . . .</b>                                       | 113,345    | 20,888    |
|                                                                |                                                                                         | 1,176,199  | 830,548   |
|                                                                | <b>MINORITY INTEREST</b>                                                                |            |           |
|                                                                | Dividend paid on preference shares of a subsidiary company . .                          | 37,500     | 37,500    |
|                                                                | <b>NET EARNINGS FOR THE YEAR (note 7) . . . .</b>                                       | 1,138,699  | 793,048   |



Companies including **ISLAND TUG & BARGE LIMITED**

**FOR THE YEAR ENDED 31ST DECEMBER 1965**

| <b>CONSOLIDATED<br/>STATEMENT<br/>OF SOURCE<br/>AND USE<br/>OF FUNDS</b> | <b>SOURCE OF FUNDS</b>                                                                                                  | 1965             | 1964           |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
|                                                                          |                                                                                                                         | \$               | \$             |
|                                                                          | Net earnings for the year . . . . .                                                                                     | 1,138,699        | 793,048        |
|                                                                          | Add: Charges not requiring cash outlay —                                                                                |                  |                |
|                                                                          | Depreciation . . . . .                                                                                                  | 1,016,786        | 942,424        |
|                                                                          | Other . . . . .                                                                                                         | 14,749           | —              |
|                                                                          |                                                                                                                         | 2,170,234        | 1,735,472      |
|                                                                          | Issue of 6½% first mortgage bonds, Series "D" . . . . .                                                                 | 4,000,000        | —              |
|                                                                          | Issue of common shares, less commission . . . . .                                                                       | —                | 1,875,000      |
|                                                                          |                                                                                                                         | 6,170,234        | 3,610,472      |
|                                                                          | <b>USE OF FUNDS</b>                                                                                                     |                  |                |
|                                                                          | Purchase of fixed assets — net . . . . .                                                                                | 2,935,980        | 2,173,402      |
|                                                                          | Additions to other assets — net . . . . .                                                                               | 2,972            | 18,101         |
|                                                                          | Reduction in long-term debt. . . . .                                                                                    | 1,147,418        | 1,006,817      |
|                                                                          | Dividend declared . . . . .                                                                                             | 300,000          | —              |
|                                                                          |                                                                                                                         | 4,386,370        | 3,198,320      |
|                                                                          | <b>INCREASE IN WORKING CAPITAL. . . . .</b>                                                                             | <b>1,783,864</b> | <b>412,152</b> |
| <b>SCHEDULE OF<br/>FUNDED<br/>DEBT</b>                                   | <b>McALLISTER TOWING LTD.</b>                                                                                           |                  |                |
|                                                                          | 5¾% first mortgage serial bonds series "A" maturing in annual instalments of \$200,000 to 1st November 1969 . . . . .   | 800,000          | 1,000,000      |
|                                                                          | Series "B" maturing in annual instalments of \$75,000 to 1st November 1972 . . . . .                                    | 525,000          | 600,000        |
|                                                                          | 5% first mortgage loans maturing in annual instalments of \$32,617 to 30th November 1969 . . . . .                      | 130,468          | 163,086        |
|                                                                          | Non-interest bearing notes payable in 1966 — balance of purchase price of shares of a subsidiary company. . . . .       | 300,000          | 690,000        |
|                                                                          | 6% demand note payable to shareholder . . . . .                                                                         | 125,000          | 125,000        |
|                                                                          | 5% subordinated unsecured loans maturing 31st December 1969 . . . . .                                                   | 250,000          | 250,000        |
|                                                                          |                                                                                                                         | 2,130,468        | 2,828,086      |
|                                                                          | <b>ISLAND TUG &amp; BARGE LIMITED<br/>AND SUBSIDIARIES</b>                                                              |                  |                |
|                                                                          | 4¾% first mortgage serial bonds series "A" maturing by 2nd July 1970 . . . . .                                          | 770,000          | 905,000        |
|                                                                          | 6¼% first mortgage sinking fund bonds series "B" maturing by 2nd July 1972 and payable in United States funds . . . . . | 670,000          | 745,000        |
|                                                                          | 6½% first mortgage sinking fund bonds series "C" maturing by 2nd July 1972 . . . . .                                    | 350,000          | 400,000        |
|                                                                          | 6½% first mortgage sinking fund bonds series "D" maturing by 31st December 1980 . . . . .                               | 4,000,000        | —              |
|                                                                          | 5½% serial debentures maturing by 1st April 1973 . . . . .                                                              | —                | 186,500        |
|                                                                          |                                                                                                                         | 5,790,000        | 2,236,500      |
|                                                                          | <b>McALLISTER-PYKE SALVAGE LTD.</b>                                                                                     |                  |                |
|                                                                          | 5¾% first mortgage serial bonds series "A" maturing in annual instalments of \$90,000 to 1st April 1973 . . . . .       | 720,000          | 810,000        |
|                                                                          | 5¾% notes payable due in semi-annual instalments of \$12,500 to 30th June 1968 . . . . .                                | 62,500           | 87,500         |
|                                                                          |                                                                                                                         | 782,500          | 897,500        |
|                                                                          |                                                                                                                         | 8,702,968        | 5,962,086      |
|                                                                          | <b>FUNDED DEBT</b>                                                                                                      |                  |                |
|                                                                          | Maturing within one year. . . . .                                                                                       | 982,617          | 1,094,317      |
|                                                                          | Not maturing within one year . . . . .                                                                                  | 7,720,351        | 4,867,769      |
|                                                                          |                                                                                                                         | 8,702,968        | 5,962,086      |



## McALLISTER TOWING LTD. and its subsidiary companies

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR  
ENDED

31st DECEMBER 1965

1. The consolidation includes the accounts of the company and all its subsidiaries.
2. The accounts receivable include claims for \$358,491 in respect of salvage contracts. Claims filed under Lloyd's open form procedure amount to \$272,843 of which \$248,035 is secured by lien on the ships and cargoes. Management is of the opinion that the final awards, in aggregate, will not be less than the amounts claimed.
3. The excess of the purchase price of shares of Island Tug & Barge Limited over their book value at date of purchase amounted to \$582,023 which has been allocated, in the consolidation, to the cost of fixed assets of the companies.
4. Fixed assets include \$550,000 being the tendered purchase price of interests in real property and improvements which transaction is subject to the approval of the National Harbours Board.
5. Of the unissued shares, 50,000 have been reserved for options to directors, officers and full-time employees of the company or its subsidiaries. The options are exercisable on or before 30th June 1974. The price per share is \$8 to 30th June 1969, increasing by fifty cents in each of the next three years to 30th June 1972. No options have yet been granted.
6. The companies have followed the practice of claiming capital cost allowance in excess of depreciation recorded in the accounts and, as a result, taxes otherwise payable have been reduced by \$513,100 in 1965, \$380,000 in 1964 and, in the aggregate to date, by \$2,787,100.
7. Net earnings for the year have been determined after deducting the following items:

|                                        | 1965      | 1964    |
|----------------------------------------|-----------|---------|
|                                        | \$        | \$      |
| Depreciation of fixed assets . . . . . | 1,016,786 | 942,424 |
| Remuneration of directors . . . . .    | 23,588    | 33,053  |

8. An amount of approximately \$79,500, including interest, and payable over sixty-seven months, is required to provide for the payment of the balance of the estimated past service cost of an employees' retirement plan.
9. The company is contingently liable in respect of \$99,900 of additional purchase price of shares of a subsidiary company.
10. The deed of trust and mortgage securing the first mortgage bonds of Island Tug & Barge Limited restricts dividend payments to amounts which would not reduce the consolidated retained earnings of that company and its subsidiaries below the balance as at 31st December 1964.

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of McAllister Towing Ltd. and its subsidiary companies as at 31st December 1965 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the company as at 31st December 1965 and the consolidated results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, 22nd February 1966

MCDONALD, CURRIE & CO.  
Chartered Accountants





*The Company's new log barge "Island Yarder", longer than a football field, unloading enough logs to build 250 three-bedroom homes. The two cranes load the 10,000 tons of logs in less than 24 hours. After a tow of up to 600 miles, unloading is even more rapid. It is accomplished by opening valves allowing water to enter tanks on the starboard side, which causes the barge to heel and dump its entire cargo in less than 30 minutes.*



